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DEA FOR OILS AND OFFICE OF DIVERSION CONTROL
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SUBJECT: 2004-2005 INTERNATIONAL NARCOTICS CONTROL STRATEGY
REPORT (INCSR) FOR TURKEY

REF: A. 2004 STATE 248987

[1](#)B. 2004 STATE 254401

[1](#)C. THOMPSONKW - LOSBANOSMG E-MAIL 2005 25 JANUARY

Following is the 2004-2005 INCSR report for Turkey.

As discussed with INL ref c, Post is continuing to seek answers to some of ref b's specific questions on legal issues for the money laundering section and will send a follow-up cable.

[1](#)I. Summary:

Turkey is a major transit route for Southwest Asian opiates to Europe, and serves as a base for major narcotics traffickers and brokers. Turkish law enforcement organizations focus their efforts on stemming the traffic of drugs and intercepting precursor chemicals. Turkish forces cooperate closely with European and U.S. agencies. While most of the heroin trafficked via Turkey is marketed in Western Europe, an increasing amount of heroin and opium also is smuggled from Turkey to the U.S. There is no appreciable cultivation of illicit narcotics in Turkey other than marijuana grown primarily for domestic consumption. We are unaware of any diversion from Turkey's licit opium poppy cultivation and pharmaceutical morphine production program.

Turkey signed the UN Drug Convention in 1988 and ratified the agreement in 1996. Turkey is a member of the Financial Action Task Force (FATF). The U.S. terminated its USD 500,000 annual assistance program at the end of FY 1999, due to Turkey's refusal to provide Leahy Amendment certification in an agreement. End summary.

II. Status of the Country:

Turkey is a major transshipment and opium conversion point for heroin. Turkey is also a base of operations for international narcotics traffickers and associates trafficking in opium, morphine base, heroin, precursor chemicals and other drugs. The majority of these opiates originate in Afghanistan, and are ultimately shipped to Western Europe. A smaller but still significant amount of heroin is trafficked to the U.S. via Turkey, and indirectly through Europe.

Turkish law enforcement forces are strongly committed to disrupting narcotics trafficking. The Turkish National Police (TNP) remains Turkey's most sophisticated counter-narcotics force, while the Jandarma and Customs continue to increase their efficacy.

Turkish authorities continue to seize large amounts of heroin and precursor chemicals, such as acetic anhydride. It is estimated that multi-ton amounts of heroin are processed in or smuggled through Turkey each month.

Turkey is one of the two traditional opium-growing countries recognized by the USG and the International Narcotics Control Board. There is no appreciable illicit drug cultivation in Turkey other than marijuana grown primarily for domestic consumption. The Turkish Government maintains strict control over its licit poppy program.

Turkish law enforcement authorities continue to seize large quantities of synthetic drugs that have been manufactured in Northern and Eastern European countries. The majority of the synthetic drug seizures have occurred as the drugs were being shipped through Turkey to other countries in the Middle East.

III. Country Actions against Drugs:

(a) Policy Initiatives: The GOT devotes significant financial and human resources to counter-narcotics activities. Turkey continues to play a key role in Operation Containment (a regional program to reduce the flow of Afghan heroin to Western Europe) as well as in other regional efforts.

The Turkish International Academy against Drugs and Organized Crime (TADOC), established under the Turkish National Police (TNP), continues to be the key agency leading the fight against drug abuse in Turkey. TADOC regularly organizes meetings in which members from relevant government agencies, such as experts from the Ministries of Education and Health, participate. In 2004, TNP increased the number of drug training and prevention units it previously established in various provinces, to cover most parts of Turkey. These units conducted intensive training programs for parents, teachers and students in these provinces, making a major contribution to the GOT's drug prevention efforts. TADOC was also appointed as the lead agency in dealings with the European Monitoring Center for Drugs and Drug Addiction (EMCDDA) in 2003. TADOC expects the GOT to sign the agreement making Turkey a member of EMCDDA in January 2005. Since all the members of EMCDDA are EU member countries, Turkey will be an exception.

(b) Accomplishments: TADOC organized 79 training programs for local and regional law enforcement officers in 2004, mostly on narcotics smuggling and money laundering. The USG provided three of these training programs. A total of 257 foreign officers were trained at TADOC this year, including officers from the Balkans, Central Asia and Afghanistan. Syrian officials received counter-narcotics training for the first time at TADOC this year.

The UN conducted a drug abuse survey in 6 major cities in Turkey in 2004, which showed that there was no major increase in drug abuse in Turkey in the last couple of years. TADOC's academy director attributed this to the TNP's intensive training and prevention efforts throughout Turkey.

(c) Law Enforcement Efforts: Through 22 December 2004, Turkish law enforcement agencies seized 7.2 tons of heroin, 4.7 tons of morphine base, 7.7 million dosage units of synthetic drugs, 8.6 tons of hashish and 123.6 kilograms of cocaine. In addition, the GOT law enforcement authorities have made more than 14,117 drug-related arrests.

(d) Corruption: In June 2003 a Parliamentary Commission on Corruption issued a report examining the reasons for and possible solutions to the problem of government corruption. It recommended increased transparency in public administration, strengthened audits, hiring of more qualified personnel, adoption of international judicial standards, and increased public and business education.

The GOT continued to struggle against corruption in 2004. The Parliamentary Commission on Corruption conducted detailed investigations into one former prime minister and five former ministers, most of which were sent to the Supreme Court. The court cases for these officials have not yet been finalized.

An important step the GOT took against corruption in 2004 was preparing the Draft Law on Combating Corruption, which is currently on the General Assembly's agenda. The law defines the crimes that fall under corruption, as well as the prosecution procedures for these crimes. The law also calls for periodical training of public sector personnel on work ethics and corruption. Another law the GOT submitted to the Parliament this year that is still waiting for the Commission's approval is the law making December 9 an Anti-Corruption Day in Turkey.

In 2003 the GOT ratified the Convention on Combating Bribery of Foreign Public Officials in International Transactions; the Council of Europe's Civil Law on Corruption; and the UN Convention Against Corruption. In January 2004, the GOT ratified the Council of Europe's Criminal Law on Corruption and became a member of the Group of Countries against Corruption (GRECO).

(e) Agreements and Treaties: Turkey ratified the 1988 UN Drug Convention in 1996 and has been a member of FATF since 1991. Turkey ratified the UN Convention on the Suppression of Terrorist Financing in April 2002. In 2003 Turkey ratified the UN Convention against Transnational Organized Crime.

In February 2003 Turkey signed a Precursors Agreement with the EU, to combat the production of substances used in the manufacture of narcotic drugs and psychotropic substances. Turkey ratified the Precursors Agreement in April 2004.

(f) Cultivation/Production: Illicit drug cultivation, primarily marijuana, is minor and has no impact on the United States. The Turkish Grain Board, with no apparent diversion, strictly controls licit opium poppy cultivation.

(g) Drug Flow/Transit: Turkey remains a major route, and storage, production and staging area, for the flow of heroin to Europe. Turkish-based traffickers and brokers operate in conjunction with narcotic smugglers, laboratory operators, and money launderers in and outside Turkey. They finance and control the smuggling of opiates to and from Turkey. Afghanistan is the source of most of the opiates reaching

Turkey. Morphine and heroin base are smuggled overland from Pakistan via Iran. Multi-ton quantities of opiates and hashish have been smuggled by sea from Pakistan to points along the Mediterranean, Aegean, and/or Marmara seas. Opiates and hashish also are smuggled to Turkey overland from Afghanistan via Turkmenistan, Azerbaijan, and Georgia. Traffickers in Turkey illegally acquire the heroin precursor chemical acetic anhydride from sources in Western Europe, the Balkans and Russia. For fiscal year 2004, 1.5 metric tons of acetic anhydride was seized in or destined for Turkey.

Turkish-based traffickers control and operate heroin laboratories at various locations. Some of them reportedly have interests in heroin laboratories operating near the Iranian-Turkish border in Iran. Turkish-based traffickers control much of the heroin marketed to Western Europe.

In 2004, Turkish authorities reported an increase in synthetic drug seizures throughout Turkey. Although Turkish law enforcement has not seen a large increase in synthetic drug manufacturing in Turkey, Turkish National Police did report one synthetic drug laboratory seizure in Usak, Turkey in December 2004. For fiscal year 2004, a total of 7.7 million dosage units of synthetic drugs, predominantly Captagon and Ecstasy, were seized in Turkey.

(h) Demand Reduction: While drug abuse remains low in Turkey compared to other countries, the number of addicts reportedly is increasing. Although the Turkish Government appears to be increasingly aware of the need to combat drug abuse, the agencies responsible for drug awareness and treatment remain under-funded. As of 2004, six Alcohol and Substance Abuse Treatment and Education Clinics (AMATEM) have been established, which serve as regional drug treatment centers. Due to lack of funds, only one of the centers focuses on drug prevention as well as treatment. The most recent clinic was opened in Ankara in 2004 and will serve as the countrywide coordinating center for drug and alcohol treatment and education. The Health Ministry has not conducted a drug abuse survey since 1995 due to lack of resources.

In 2004, the United Nations coordinated a survey in 6 major cities on drug abuse in Turkey. The survey did not demonstrate any major increase in the number of drug users compared to previous data provided by local NGOs.

IV. U.S. Policies, Initiatives and Programs:

(a) U.S. Policy Initiatives and Programs: U.S. policy remains to strengthen Turkey's ability to combat narcotics trafficking, money laundering and financial crimes. Through fiscal year 1999, the U.S. Government extended USD 500,000 annually in assistance. While that program has now terminated, during 2004-05 the U.S. Government anticipates spending approximately \$100,000 in previously-allocated funds on anti-narcotics programs.

(b) Bilateral Cooperation: U.S. counter-narcotics agencies report excellent cooperation with Turkish officials. Turkish counter-narcotics forces have developed technically, becoming increasingly professional, in part based on the training and equipment they received from the U.S. and other international law enforcement agencies.

(c) Road Ahead: After the 2002 national elections, many of the key government officials responsible for counter-narcotics and money-laundering were replaced; however, this did not appear to have degraded the quality of cooperation. The U.S. Mission in Turkey has continued to engage the appointees, and work with the government.

V. Statistical Tables (through 9 December 2003):

	2004	2003	2002
Opium (licit)			
- Cultivation	59,300	149,787	117,650
- Eradication	N/A	N/A	N/A
- Harvestable	35,000	99,430	50,741
Drug Seizures			
- Cocaine (kg)	123.6	2.6	1.6
- Opium (kg)	72.0	243.6	262.6
- Hashish (tons)	8.6	1.9	10.1
- Heroin (tons)	7.2	5.2	5.1
- Morphine Base (tons)	4.7	0.8	0.8
- Acetic Anhydride (tons)	1.5	5.8	60.9
- Captagon/other synthetic (Million dosage units)	7.7	4.95	1.7
- Illicit Labs	1	7	N/A
- Domestic Consumption	N/A	N/A	N/A
- Users who applied for treatment	8000	N/A	N/A
- Users treated	800	N/A	N/A
- Arrests	14,117	6,678	8,965

VI. Money Laundering and Financial Crime:

(a) General. In general, though the GOT has tried to bring its legal regime in compliance with international norms, Turkey's anti-money laundering regime does not have a strong reputation for enforcement. In 2001, the GOT signed the Strasbourg Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (ratified September 2003); the Council of Europe (COE) Criminal Law on Corruption (ratified 2004); and the Council of Europe (COE) Civil Law on Corruption (ratified April 2003). By becoming a party to these COE conventions, the GOT obligated itself to revise its laws to include proceeds of all serious crimes in the definition of money laundering, and to specify corruption as a predicate offense for money laundering.

The Turkish Government signed the UN Convention against Transnational Organized Crime in 2001 and ratified it in December 2003. Turkey signed the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 2000 (ratified February 2003). The GOT also became a party to the 1999 International Convention for the Suppression of the Financing of Terrorism in 2002.

Turkey cooperates closely with the U.S. and its neighbors in the Southeast Europe Cooperation Initiative (SECI). Turkey is responsive, although often not in a timely way, to requests for US law enforcement assistance necessary to the investigation of financial crimes related to terrorism, terrorist financing, and other crimes, pursuant to the provisions of the Mutual Legal Assistance Treaty (MLAT). All responses are generated by the Turkish Ministry of Justice.

Turkey is not an offshore financial center but Istanbul is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. Since the financial crisis of 2000, the GOT has significantly tightened oversight of the banking system through the independent Bank Regulatory and Supervisory Agency (BRSA). Although it failed to detect massive fraud at one bank which led to its being taken over in 2003 by regulators, the BRSA is working to improve its ability to detect bank fraud. Since the recent banking law amendments and also the establishment of the BRSA, there has been no evidence of an increase in financial crimes in Turkey.

Money laundering takes place in both banks and nonbank financial institutions. Traditional money laundering methods in Turkey involve the cross-border smuggling of currency; bank transfers into and out of country; and the purchase of high value items such as real estate, gold, and luxury automobiles. It is believed that Turkish-based traffickers transfer money to pay narcotic suppliers in Pakistan and Afghanistan, primarily through Istanbul money exchanges. The exchanges in turn wire transfer the funds through Turkish banks to accounts in Dubai and other locations in the United Arab Emirates. The money is then paid, often through the underground banking system, to narcotics suppliers in Pakistan and Afghanistan. Local narcotics-trafficking organizations are reportedly responsible for only a small portion of the total funds laundered in Turkey. A substantial percentage of money laundering that takes place in Turkey appears to involve tax evasion, and informed observers estimate that as much as 50 percent of the economy is unregistered. The GOT has taken no steps to regulate or register alternative remittance networks.

To Post's knowledge, neither the country nor any senior official, as a matter of government policy or practice, facilitates or engages in laundering the proceeds from illegal drug transactions, from other serious crimes or from terrorist financing. Moreover, to Post's knowledge, Turkey's financial institutions do not engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of US currency or currency derived from illegal drug sales in the US or that otherwise significantly affect the US. There is no significant black market for smuggled goods in Turkey. However, since tax evasion is a problem, the GOT is in the process of reforming its tax administration, with the goal of improving tax collection. Turkey has established systems for identifying, tracing, freezing, seizing and forfeiting narcotics-related assets. Turkey's laws allow for only criminal forfeiture.

There are 21 Free Trade Zones operating in Turkey. There is no indication that these free trade zones are being used in trade-based money laundering schemes or by the financiers of terrorism. The GOT controls access and grants limited authority within the free trade zones.

There have been no arrests and/or prosecutions for money laundering or terrorist financing since January 1, 2004.

(b) Laws and Regulations to Prevent Money Laundering/Terrorist Financing.

Turkey criminalized money laundering in 1996 for a wide range of predicate offenses, including narcotics-related crimes, smuggling of arms and antiquities, terrorism, counterfeiting, and trafficking in human organs and in women. The Council of Ministers subsequently passed a set of regulations that mandate the filing of suspicious transaction reports (STRs), and require customer identification and the maintenance of bank records for five years. These regulations apply to banks and a wide range of nonbank financial institutions, including insurance firms and jewelry dealers. Sanctions apply for failure to comply. However, the number of STRs being filed is quite low, even taking into consideration the fact that the Turkish economy is cash-based. A possible reason for this is the lack of safe harbor protection for bankers and other filers of STRs. Turkish officials indicated in December 2004 that the GOT has drafted legislation that will provide such protection, but it has not yet been enacted.

Turkey does not have secrecy laws that prevent disclosure of client and ownership information by domestic and offshore financial services companies to bank supervisors and law enforcement authorities.

Turkey is party to the UN International Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and is, in general, a party to all the relevant UN instruments. However, implementation efforts on UN anti-financial crime conventions are weak. On terrorism finance, Turkey does not adhere to all eight of the FATF special recommendations. The GOT claims, however, that new legislation being prepared in early 2005 will help bring Turkey closer to adhering to all relevant international money laundering and terror finance standards.

Turkey's police, prosecutors, judges and investigative agencies require substantial training in financial crimes. The government has increased its focus on money laundering, but has had difficulty obtaining convictions. Since being established in 1997, the Financial Crimes Investigative Board (MASAK) has pursued more than 500 money-laundering cases. Through 2004, only one case has resulted in a conviction and it was overturned. Note: Last year's report mistakenly claimed that two cases had resulted in convictions. While good statistics are not available, most of the cases are believed to involve non-narcotic criminal actions or tax evasion.

Money laundering offenses are more broadly defined in the new Turkish Criminal Law (which will be enforced starting April 2005) to include all predicate offenses punishable by one-year imprisonment. Previously, Turkey's anti-money laundering law comprised a list of specific predicate offenses. In addition, the new Criminal Procedures Law, also to be enforced in April 2005, facilitates asset forfeiture. MASAK is trying to strengthen its role as Turkey's financial intelligence unit. It would benefit from additional legal authority; continuity of senior management; training; and computers. Training and equipment needs are being addressed by an EU accession twinning project, which is expected to end in June 2006.

Currently, there are three main pillars which govern MASAK's procedures and duties: 1) Regulatory function; 2) Financial intelligence function; and 3) Investigation and assessment functions. In a new draft law on its structure and functions, MASAK will lose its investigative function. Prosecutors will take on the investigative function and coordinate the relevant agencies needed for investigations of financial crimes. MASAK will retain its financial intelligence and regulatory responsibilities. The new law also recommends policies to investigate the proceeds of bribery and corruption. Relevant agencies are currently reviewing the draft of MASAK's law and the law is expected to be passed early in 2005.

(c) Asset Forfeiture and Seizure Legislation. In addition to penalizing the crime of money laundering, Turkey's anti-money laundering law calls for forfeiture. However, the law does not allow for civil as well as criminal forfeiture. Turkish law does not allow for the administrative freezing of assets. It relies instead on criminal freezing. Legitimate business can be seized if used to launder drug money, support terrorist activity, or are otherwise related to other criminal proceeds. Property or its value that is confiscated is transferred to the Treasury. There are no provisions for sharing, either with domestic or international law enforcement. The country has not enacted laws for the sharing of seized narcotics assets, nor for assets from other serious crimes with other governments. With regards to terrorism finance, the GOT has the authority to identify and freeze only the assets of terrorist individuals and groups designated by the UN 1267 Sanctions Committee.

The anti-money laundering law provides for the confiscation of all property and assets (including derived income or returns) which are the proceeds of a money laundering predicate offense (soon to be expanded to crimes punishable by one year imprisonment), once the defendant is convicted. The law allows for the confiscation of the equivalent value of direct proceeds that could not be seized. Instrumentalities of money laundering can be confiscated under the law. In addition to the anti-money laundering law, Article 36 of the Criminal Code provides for post-conviction seizure and confiscation of the proceeds of crimes. The defendant, however, must own the property subject to forfeiture.

Under the anti-money laundering law, forfeiture provisions for assets obtained from criminal acts can only be applied to individuals convicted of laundering "dirty money" and to those assets in the possession of the convicted subject.

The government enforces existing drug-related asset seizure and forfeiture laws and MASAK, the Turkish National Police, and the Courts are the government entities responsible for tracing, seizing assets and freezing assets. The jurisdiction has adequate police powers and resources to trace, seize and freeze assets.

The GOT is engaged in bilateral and multilateral negotiations with other governments to enhance asset tracing, freezing and seizure. For example, GOT representatives will participate in a meeting in Vienna in January 2005 to prepare a draft model bilateral agreement on the disposal of confiscated proceeds of crime.

To Post's knowledge, neither traffickers, organized crime organizations, nor terrorist organizations have taken retaliatory actions related to money laundering/terrorist financing investigations, government cooperation with the USG, or seizure/freezing of assets.

(d) Terrorist Financing. Turkey has not yet explicitly criminalized the financing of terrorism. It complies with UNSCR 1373 through the distribution to interested GOT agencies of ministerial decrees. The tools currently available under Turkish law for locating, freezing and confiscating terrorist assets are cumbersome, limited and not particularly effective. For example, the Turkish authorities have no legal mechanism to freeze assets of terrorists other than those linked to Al-Qaeda and the Taliban. The absence of safe harbor⁸ protections from prosecution for bankers reporting suspicious transactions is another limiting factor. There is no mechanism for timely information sharing with other countries, law enforcement and anti-terrorist financing agencies. As a result, one terrorist financing investigation conducted by the FBI and Royal Canadian Mounted Police in 2003 had been hampered. The legislation discussed above as well as efforts underway in the GOT to define terrorism finance in the Law to Combat Terrorism in accordance with the international and EU framework should improve this situation.

Another vulnerability in Turkey's counter-terror finance regime is the possibility of abuse in non-profit organizations. The GOT has a General Director of Foundations which licenses and oversees charitable organizations. Applicants are required to verify and prove their funding sources. Charities must have bylaws and are audited by the Directorate and are subject to being shut down if they act outside the bylaws. However, the GOT does not require other oversight mechanisms such as requiring the publication of annual financial reports or periodic reporting to competent authorities to prevent the misuse of non-profit organizations and alternative remittance systems by terrorist or criminal groups. There is no central registry to provide ease of access to appropriate law enforcement and regulatory agencies. The EU accession twinning project is providing MASAK with a sound structural database system and could serve as a registry for information for law enforcement and other regulatory agencies.

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